

**THE DEVELOPMENT OF STRATEGIC INNOVATION IN MATURE COMPANY  
CASE STUDY: PT. PRYDA INDONESIA**

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**Abstract-** *Growing opportunity in construction industry is no longer making PT. Pryda Indonesia experience growth. Revenue decline and the fading of company's glory time put the company in mature stage that almost reach declining stage. The journal is made to find the root cause that make the revenue decline and recommend to arrange strategic innovation to solved PT. Pryda Indonesia's problem. The framework to conduct strategic innovation is started with external analysis, internal analysis, and SWOT analysis to find the root cause of the problem. Unsuit STP become the root cause of the problem, because the company cannot compete with both lower price segments and high price segments and the company cannot also fulfill market needs and wants. Finally, implementation plan is made to be started in January 2013.*

**Keyword:** *Mature Company, PT. Pryda Indonesia, Strategic Innovation*

## **I. INTRODUCTION**

This journal is aiming to find root cause that make the revenue of PT. Pryda Indonesia decline in a growth industry and to arrange a strategic innovation to this mature company in a growth industry.

PRYDA was built in 1964 by A.R. Turner and Co, and has grown significantly since the inception and is now fully owned by Illinois Tool Works (ITW). Pryda widespread its branch network in Malaysia, Indonesia, Thailand, Australia, and New Zealand. In 1993, Pryda build his branch in Indonesia and sell timber truss in 1993. Pryda Steel Fast started to operate in 2002 and change its name to PT. Pryda Indonesia.

Products that PT. Pryda Indonesia offer now is only lightweight steel truss for roof in the form of profile bars, connectors (multigrip, cyclone strap, and screw), and a system that contain of the software, design process, and installation controlling. PT. Pryda Indonesia's clients are a developer or a contractor that has already made a contract with PT. Pryda Indonesia and called fabricator. There are 14 fabricators that spread all around Indonesia.

With the lack of government rules about lightweight steel truss makes the entry barrier into this industry is low and there appear a lot of competitor. New players in this industry can easily sell their products with lower price and lower quality and also lower safety. This is because Indonesian people have a really small knowledge about prefabricated lightweight steel truss, even the construction community.

Lack of Government rules, lack of market knowledge, and the increase of competition put PT. Pryda Indonesia in a situation that the company hard to compete, because PT. Pryda Indonesia cannot compete with lower price competitor and the company cannot also compete with the higher price competitor or in other words, PT. Pryda Indonesia's STP is not suit the current situation. In the end, PT. Pryda Indonesia experiences a revenue decline even though the industry is growing and Pryda brand is known; which put the company's product life cycle in the final phase of mature stage.

## II. BUSINESS ISSUE EXPLORATION

In order to understand the underlying issues and proposed solution, a conceptual framework is develop. The conceptual framework is :

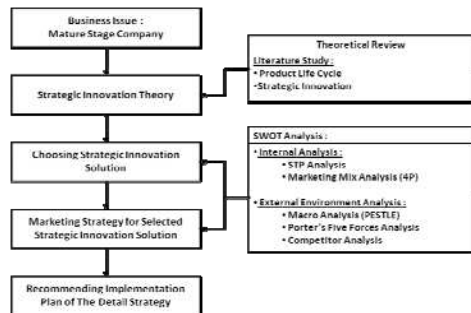


Figure 1 PT. Pryda Indonesia's Conceptual Framework

The analysis to find out the root cause that make the revenue decline is using internal anlysisis, external analysis, and SWOT analysis. The analysis of internal factor is using STP analysis and Marketing Mix (4P) analysis. The external factor is analyzed using MACRO analysis (PESTLE), Porter's Five Forces analysis, and competitor analysis.

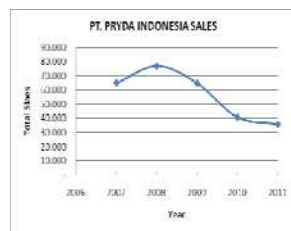


Figure 2 PT. Pryda Indonesia's Sales

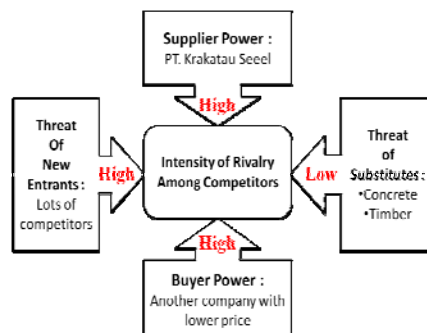


Figure 3 Porter's Five Forces of Lightweight Steel Truss Industry

From external analysis, it can be seen that the economy, political, social, and technology situation in Indonesia makes the company's

revenue decline. The entry barrier into this industry is also really low that make the competitor can come into this industry easily. There are 3 main competitors for the company lately; they are Jaiindo, Bluescope, and the newcomers GigaSteel who can beat 2 biggest players in this industry only in the last one year.

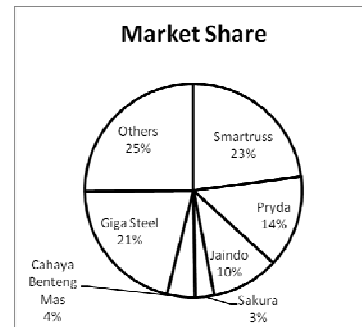


Figure 4 Market Share of Lightweight Steel Truss Industry

From the internal and brand analysis, it can also be concluded that the company's STP is no longer suit the current situation.

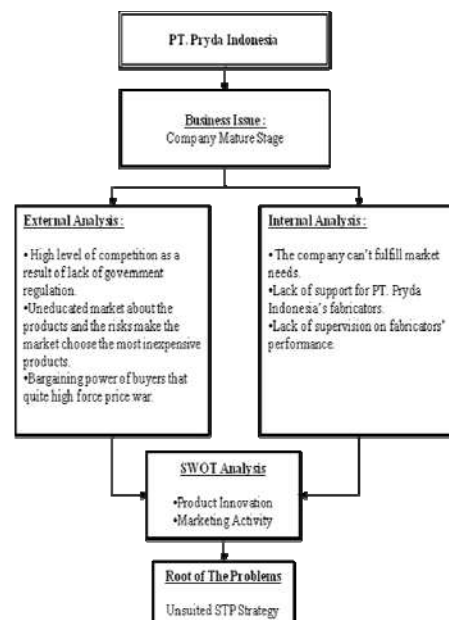


Figure 5 PT. Pryda Indonesia's Root of Problem

From those analysis, there are one root cause that make PT. Pryda Indonesia experience the stage of maturity that lead to declining stage, which is unsuited STP. This root cause makes the company cannot compete not only in lower price segment but also in the high price segment.

The price of Pryda's products is too expensive to compete in lower price segments and to compete in high price segments, Pryda's products is not as good as competitor, such as Bluescope and Jaiindo. In the end, the unsuited STP makes the company cannot fulfill what market needs and wants, which is high quality products with lower price and this is what makes the revenue of the company decline, especially in the last 5 years.

### III. BUSINESS SOLUTION

Like what has been discussed before, the root cause that makes PT. Pryda Indonesia reach its final phase of its mature stage is the unsuited STP. The unsuited STP makes PT. Pryda Indonesia confused where to stand that makes the company cannot met the customers' needs and wants (unmet demands), which is high quality products with low price. They cannot compete with the lower price competitor because their quality is too good to compete on that segment and they cannot also compete in higher price competitor because looking from the market share, its position is on the third position and the brand itself is under the higher price competitor.

This journal is in aim to help find the best solution to a company who are in a mature stage to maintain their position in the current market or to increase their market share in new market. One of the best solutions for PT. Pryda Indonesia is to arrange a strategic innovation that will help the company to survive in the current market and to find new opportunity whether in the current market or in new market.

#### 3.1 Survey

First step in developing strategic innovation is by spreading a survey to know how high the market awareness of Pryda brand and what is the market demand. The survey show that market awareness to Pryda brand is quite high, but it is not enough to persuade a purchase, quality and price are also important in persuade a purchase (figure 3 and figure 4).

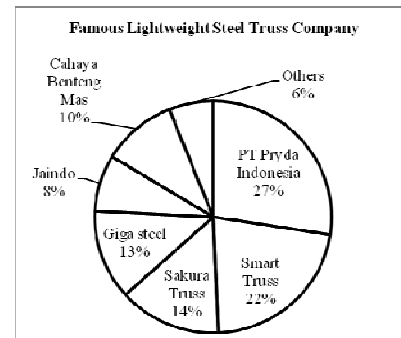


Figure 6 Famous Lightweight Steel Truss in The Market

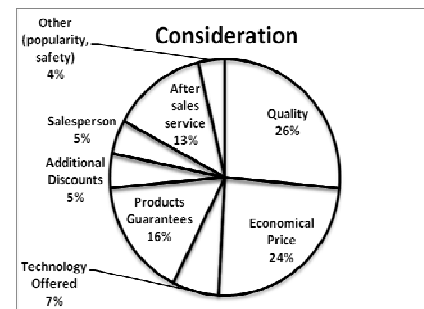


Figure 7 Things to Consider

#### 3.2 New STP

PT. Pryda Indonesia is an old player in the prefabricated roof steel truss industry. At first, the company's STP is for contractors and developers who have strong relationship with Government's projects and other projects that using roof truss and oriented on quality. The company also position themselves as a trustworthy prefabricated roof steel truss. Those STP is no longer available in current situation, because the current markets are now changes.

After analyze the markets in a preliminary survey, there are new segmentation. The new segmentation give PT. Pryda Indonesia information that the current markets are price oriented. Moreover, from the competitor's behavior, the company can also see that most of their competitors are selling second grade products through retailer with lower price and lower quality. It has to admit that 80% of competitor's revenue was get from the retailers.

From the segmentations, PT. Pryda Indonesia can targeting their products to all contractors or developers who are quality oriented and all developers or contractors and retailer who are price oriented in the current market and new area, especially rural and remote areas. The company does not need to change their

positioning as a trustworthy prefabricated roof steel truss, because it is already succeeds in building high awareness and trust from consumers.

### 3.3 New Marketing Mix

After rearrange new STP, PT. Pryda Indonesia need to arrange new marketing mix that in accordance with the current market condition and the new STP. This new marketing mix will determine what the company should do to make their new STP work well and in the end will repair the company's sale and revenue. The recommended new marketing mix are :

Table 1. PT. Pryda Indonesia's New Marketing Mix

Marketing Mix	Quality Oriented Markets	Price Oriented Markets
<b>Distribute through</b>	Developers or contractors	Retailer or developers or contractors
<b>Products</b>	<ul style="list-style-type: none"> <li>• Use PRYDA brand</li> <li>• High coated material</li> <li>• High installation standards</li> <li>• Complete system (design-install)</li> <li>• 5 years guarantee</li> <li>• Installed by high skilled operator</li> </ul>	<ul style="list-style-type: none"> <li>• No brand or use other brand besides PRYDA</li> <li>• Low coated material</li> <li>• No installation standards</li> <li>• Sell individually (without design and install)</li> <li>• No guarantee</li> </ul>
<b>Price</b>	Rp. 120.000,- into Rp. 160.000,-	Rp. 80.000,- into Rp. 100.000,-
<b>Place</b>	Big cities	Urban and rural areas
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• Television</li> <li>• Construction magazine</li> <li>• Newspaper</li> <li>• Facebook Ads or Google Ads</li> <li>• Word of mouth</li> <li>• Construction Exhibition</li> </ul>	<ul style="list-style-type: none"> <li>• Banner</li> <li>• Flyer</li> <li>• Newspaper</li> </ul>

#### Product

PT. Pryda Indonesia needs to have products that will suit both of company's target market, such as price oriented markets and quality oriented markets without damaging their brand. The company needs to do research to find the best products innovation alternatives that will fit markets demand that suit the time and cost that the company have. The alternatives are :

- Decrease selling price  
The easiest option currently, but it is not the best alternatives. The market can lost their trust to the company and the brand itself, because increasing selling price means increasing quality or decrease the safety factor.
- Invented new products  
This is maybe the best alternatives, but to make this alternatives succeeds need time and money. New products can be in the form of second grade products that has lower quality or in the form of the using of lightweight steel truss as wall and floor

material. The company is on the half way in creating software to make the use of prefabricated lightweight steel truss can be used for wall and floor material.

- Offer another products beside lightweight steel truss

This alternative is having the same risk with the first alternatives, to decreasing selling price, because with offer another product can confuse the brand and change the positioning of the company. This alternative can be succeeds if the company does it slowly and after some research about what market wants and needs. Products beside lightweight steel truss can be in the form of roofing material such as roof tile and aluminum foil.

- Cooperate with another company

Cooperating with another company can be done by doing some mergers or acquisitions or joint operations. This alternative needs a lot of time and money, because some researches need to be done to know which company has the biggest chance to grow in the market. Currently, the best alternatives company is GigaSteel, new players that grow quite fast in the last one year.

#### Price

From the new STP above, PT. Pryda Indonesia's target market is developers, contractors, and retailer that price oriented and developers and contractors that quality oriented. For both of that target market, the company needs to set two prices that will fulfill each market's need. For the market that quality oriented, price is commonly not a problem; therefore the company can use the current price. For the markets that price oriented, the company can set the price based on the competitors price, which is around Rp. 80.000,- into Rp. 100.000,-.

#### Place

Because of PT. Pryda Indonesia have two target markets; the company needs to choose the place to distribute their products carefully. In big cities, the markets are divergent; therefore the company can choose both developers and contractors that quality oriented and price oriented. The developers and contractors that quality oriented can be choose from the developers or contractors that usually build an elite housing projects or public building like office. The developers, contractors, and retailers that price oriented can be choose from a developers or contractors that usually build

Government projects and the retailers can be choose from retailers that biggest on each area. Promotion

To support new STP and new marketing mix, PT. Pryda Indonesia needs to expand their marketing activity and being creative. The alternatives of marketing activities are promote their products through company's website, banner, construction magazine, construction exhibition, television, construction seminar, word of mouth and internet ads in social media like facebook Ads and Google Ads that link to a blog or company website that consist of information about the products that can educate markets about the products.

### 3.4 Employee Ability

Another strategic innovation that a mature company can do is by developing the ability of their employees.. The increasing of ability can be done by giving the employees chance to attend a seminar or training that support the innovation. Other thing that PT. Pryda Indonesia can do to maintain their employees are by giving reward and recognition; therefore the employees turnover can be minimized.

## IV. IMPLEMENTATION PLAN

From the analysis on business solution above, there is some implementation plan that separated on 5 phase of road map, such as:

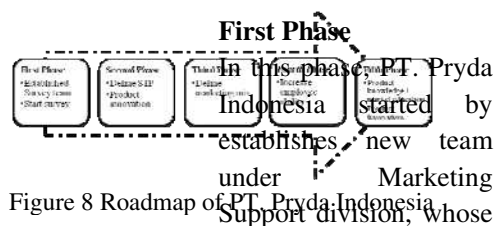


Figure 8 Roadmap of PT. Pryda Indonesia

job is to do research and analysis to market condition, customer behavior, competitor's strategies, and area possibility. Those analyses are aiming to know what market needs and wants, the strategy that competitors do, and find opportunity whether to expand the business into new area or stay in the current area.

### Second Phase

In this phase, the company started to define new STP based on the preliminary survey. Another thing that needs to be done is looking into competitor strategy and based on the

research, PT. Pryda Indonesia can do a little product innovation in terms of decreasing the price range to make the company survive before they make decision which strategy will be chose.

### Third Phase

After doing the preliminary survey and defining new STP, the company can propose new marketing mix that will guide PT. Pryda Indonesia in succeeding the new STP and the strategic innovation. The process in defining new marketing mix is based on new STP and the preliminary survey.

### Fourth Phase

To support the strategic innovation as mentioned above, PT. Pryda Indonesia have to increase employees' ability. These processes are needed if the company wants to do the product knowledge and market education through word of mouth advertising. To increase the employee's ability, the company can give the employees opportunity to attending some seminar and training that will support the whole process.

### Fifth Phase

On this last phase, PT. Pryda Indonesia can start to do more product innovation that will suit market demands. The idea in this product innovation is by develop the software and create second grade product that will sold through retailer like what already stated in the new STP. To support this strategy, the marketing division can also start to do product knowledge and market education through some seminar and exhibition, company website, and internet ads like facebook ads and google ads.

Each of the phases above will be conducted by manager on each division concerned and become the responsibility of each employee. The manager will be responsible to the General Manager and report the progress twice a month on the last day of second and fourth week.

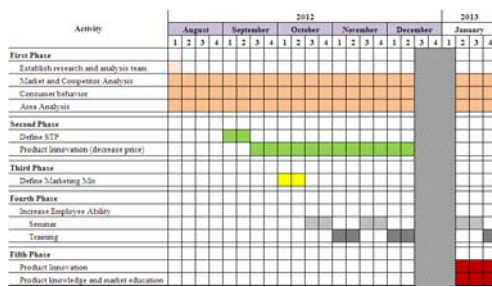


Figure 9 Strategic Innovation's Timeline

The timeline above is made with the hope that it will become guidance for the company in maintaining their position in the market as long as the company operates. For the current problem, there are some phases that need to be done as soon as possible, therefore PT. Pryda Indonesia can make a budget estimation that will be given to Pryda Australia along with the research and analysis result, new STP, and new marketing mix. The faster PT. Pryda Indonesia gives the result and the estimation to Pryda Australia, then the budget will also release fast.

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